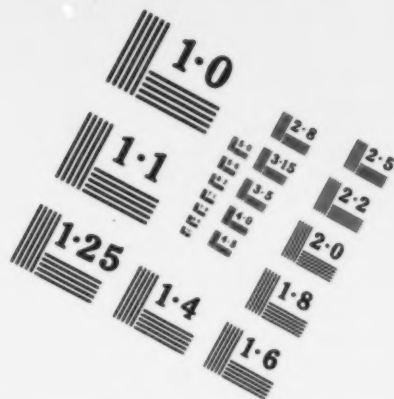
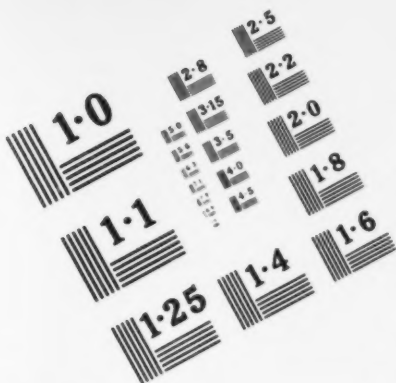




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Foreign Economic Trends and Their Implications for the United States

FEBRUARY 1991

MALI

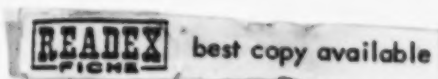
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U.S. DEPARTMENT OF COMMERCE
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KEY ECONOMIC INDICATORS

Area: 474,764 square miles (about the size of Texas and California)

Population: 8 million

Per Capital Gross Domestic Product: about \$230

<u>INCOME</u>	<u>1987</u>	<u>1989</u>	<u>1989 (est)</u>
GDP Current Prices (billions of CFA) (million of US\$)	569 1,890	578 1,942	642 2,009
Real GDP growth	-0.1	2.9	8.4

BALANCE OF TRADE AND PAYMENTS (billions of CFA)

Exports, f.o.b.	76.9	74.9	87.6
Of which: cotton	31.9	28.7	40.1
Imports, c.i.f.	144.0	152.8	157.4
Of which: cereals	6.3	10.3	8.0
Trade Balance	-67.1	-77.9	-69.9
Services, net	37.4	39.2	42.7
Of which:			
interest payments	8.4	8.6	9.6
private transfers, net	15.0	18.0	15.5
Current account (including official transfers)	-28.7	-26.9	-25.7
Capital, net	27.0	37.4	44.6
of which: private, net	-1.8	-0.4	-0.9
official, net	28.8	37.8	45.5
Overall Balance	-2.2	11.8	18.9

EXCHANGE RATES

(CFA per dollar)

<u>Period Average</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
U.S. dollar	449	346	301	298	319

Sources: IMF/World Bank/Government of the Republic of Mali

Mali is one of the poorest countries in the world, with a per capital income of \$230. Agriculture, primarily cereal production for domestic consumption and cotton and livestock for export, makes up more than half of Mali's gross domestic product (GDP) of just over \$2 billion. Excellent rainfall during the 1989 and 1990 seasons led to good cotton and cereal harvest.

Commercial and industrial activity, which together make up almost half of the GDP, continues to expand. Many large public enterprises have been partially privatized or eliminated under a program sponsored by the World Bank. The mining sector is steadily growing with several foreign, including American, companies investing in new gold mining activities. Gold is now Mali's third largest export.

Spending by the Government of the Republic of Mali (GRM) is around \$518 million a year, or about 25 percent of the GDP. Government revenues, which are derived mostly from indirect taxes, income taxes, and custom duties, come to less than \$450 million a year, including \$115 million in grants from foreign donors. The GRM continues to run a deficit, but has adopted measures to control expenditures and increase revenues. The Development Bank of Mali was restructured in 1989 and is now a commercial bank, with the government's participation limited to 20 percent.

Mali's exports are now running around \$273 million a year, including \$125 million in cotton and \$70 million in livestock. Mali's annual imports (including petroleum, vehicles, and most machinery and manufactured items) are more than \$492 million.

Foreign assistance currently runs between \$400 million and \$500 million a year from both bilateral and multilateral donors. Mali's foreign debt is over \$2.2 billion. Bilateral loans, many of which have been rescheduled, make up just over half of the debt. The rest is made up of multilateral loans, usually at long-term concessional rates. In 1989, the United States and France forgave most of the debt Mali owed them, reducing Mali's debt service to 27 percent of export earnings from 36 percent in 1988.

Background

Mali achieved independence from France in September 1960. The first president, Modibo Keita, followed a socialist economic course. In 1968, the army staged a coup and established a governing Military Committee. In 1969, Mali's sole political party, the Union Democratique du Peuple Malien, was created and Moussa Traore, a member of the Military Committee, became President.

Throughout most of the 1970s, Mali embraced a statist development model with massive government spending, large public enterprises, and tight government control of economic activity.

By the early 1980s, Mali experienced severe economic difficulties. The GRM's fiscal problems were growing as a result of the expansion of government public enterprises sectors, balance-of-payments deficits, foreign debts, and increasing budgetary shortages. To handle the difficulties, the GRM embarked on a series of Standby Agreements with the IMF, from 1982 to 1987. Mali also reentered the West African Monetary Union in 1984 and resumed use of the CFA franc after an unsuccessful effort with an independent currency. In order to comply with IMF agreements, the GRM tightened credit and curbed government spending. In late 1985, falling cotton prices resulted in further belt tightening.

The GRM is currently negotiating a \$120 million Structural Adjustment Loan with the World Bank. A Structural Adjustment Facility of \$19 million from the IMF was disbursed in 1990. Mali is required to reduce the public sector's burden on the economy and encourage private sector development and investment opportunities under World Bank, IMF and other donor programs supporting structural adjustment. The U.S. Agency for International Development (USAID) has been instrumental in reducing the public sector's role in the economy and promoting private sector development through its former Economic Policy Reform Program and a new Policy Reform for Economic Development (PRED) program. With this assistance, the GRM has succeeded in reducing the growth of the civil service, cutting back on public enterprise sector employment, opening up public enterprises to private capital, reforming the tax structure, removing nearly all price controls, and eliminating most government monopolies.

Agriculture

Agriculture is the major productive activity in Mali, involving around 75 percent of the active labor force. It is estimated that about 69,000 square miles, or about 15 percent of the total land area, is suitable for crop cultivation, with only 11,000 presently being cultivated. Most Malian agriculture is traditional farming at a low technological level. Periodic droughts have caused low yields and food shortages. Although irrigated agriculture is being expanded along the Niger and Senegal rivers, it requires a considerable financial investment and has detrimental effects on water flow.

Agricultural production in Mali depends greatly on climactic conditions. There are three major climactic zones in Mali in which agricultural production occurs: Guinean (rainfall over 1100 mm), mostly in the south; Sudanic (500 mm to 1100 mm), mostly in the center; and Sahelian (150 mm to 550 mm) in the north bordering the desert. However, there can be significant variations from year to year in rainfall. A large area of Mali is part of the dry and arid Sahara desert, virtually devoid of vegetation and rainfall.

Preliminary estimates for the 1990-91 harvest indicate a third year of cereal surpluses. Good rainfall during the 1989-90 season resulted in a very large grain crop and a 560,000 ton grain surplus by early 1990, although grain actually available for export was considerably less.

With a production level of around 290,000 metric tons, cotton, Mali's traditional major export, continued record output during the 1989-90 season with a 16 percent increase from the previous year. Cotton export earnings for 1989 totaled \$125 million. The 1990-91 harvest should be equally good. Most of the cotton is grown in the southern area of the country and is exported to Europe, primarily France and West Germany.

Mali's livestock population, which declined during the height of the 1983-85 drought, has continued to increase. There are now over 5 million head of cattle and 10 million head of sheep and goats. Cattle exports, mostly to the Cote d'Ivoire, were estimated at 230,000 head in 1989. Export of live animals earned Mali over \$70 million in 1988, accounting for approximately 27 percent of all export earnings.

Commerce and Industry

Commerce comprises approximately 38 percent of Mali's GDP. The inefficient public enterprises which dominated commerce for years have now been scaled back or eliminated. The largest of these, SOMIEX, the state import-export trading company, with sales of over 41 billion CFA in 1983 (\$156 million) and more than 2,300 employees, is undergoing liquidation.

In 1986, the GRM adopted a new commercial code which makes it easier to set up and run a business. In early 1988, the GRM began to issue licenses to private traders for the importation and sale of sugar, salt, milk, and tea, SOMIEX's last monopolies. Finally, in 1989, the GRM decided to approve automatically applications for import and export licenses. Consequently, private sector involvement in these lines of commerce is growing rapidly.

Mali's industrial sector, which makes up around 12 percent of the country's GDP, has been growing slowly. It is characterized by large public enterprises involved in the processing of agricultural products and small, mainly privately owned, firms involved in import substitution activities. Although many of Mali's industries are located in Bamako, the capital city, those that rely on agricultural inputs are usually located closer to the production areas.

A large part of Mali's industrial production is in textiles, which are primarily for the domestic market. Since 1986, COMATEX, the state textile company, has been co-managed with a Chinese state company and production has increased. Another major textile

company, ITEMA, is a mixed public enterprise with the GRM and private Malian investors. The GRM has authorized the privatization of many of its industrial enterprises, including those producing textiles, leather, cement, ceramics, canned foods, agricultural equipment, and cotton seeds.

In 1989, the GRM implemented liberalization measures which ensured renewal of the GRM's IMF Standby Agreement and Structural Adjustment Facility Loan and allowed for the release of funds under the World Bank's Public Enterprise Sector Adjustment Program. The liberalization measures included the removal of most price controls, liberalization of imports and exports, the removal of some transportation tariffs, and easier business registration.

Mining

Although Mali's mining sector is still relatively small, it has considerable potential, and foreign private interest in this area is steadily increasing. Gold is already Mali's third largest export, and an estimated CFA 7.5 billion (about \$28 million) worth of gold was extracted in 1990. Mali also has an active artisanal gold mining sector. Furthermore, gold is brought from surrounding countries into Mali, where regulations and procedures regarding the export of gold are comparatively liberal to its neighbors.

Mining in Mali is regulated by the Direction Nationale de la Geologie et des Mines in the Ministry of Industry, Hydraulics, and Energy. A public enterprise, SONAREM, is involved in mineral research and exploitation. The United Nations Development Program (UNDP) has also funded surveys to assess Mali's mineral resources.

Industrial gold mining began in 1985 at Kalana in southern Mali. The Kalana gold mine is owned and operated by the GRM and has received Soviet technical assistance and financing. Production at Kalana for 1989 was around 500 kg of gold; however, production capacity is estimated to be around 1.8 metric tons a year.

Presently, BHP/Utah International, an American-Australian company, has a joint venture with the GRM known as SOMISY (Societe des Mines de Syama). The Syama gold mine in the southern region of Sikasso went into production in January 1990. Production for the first year of operation is expected to be approximately 2 metric tons of gold with a capacity for increased production in subsequent years.

TransAfrican Mining Ltd., an American-based company, has a gold mining concession at Kenieba in the region of Kayes in western Mali. Research and exploration is expected to lead to production in the near future.

Mali's mining sector is not limited to gold; there are lime,

phosphate, marble, diamond and other mineral deposits presently being mined or explored in various regions of the country.

Government Spending and Revenue

The Malian Government's expenditures for 1989 totaled CFA 165 billion (approximately \$517 million) or about 25 percent of GDP. Government revenues, which are derived mostly from custom duties, income, and head taxes and grants, comes to CFA 142 billion (approximately \$444 million) a year. The Malian Government typically has chronic financing gaps, which are largely covered by foreign assistance. Through structural adjustment measures, the GRM intends to eliminate these gaps by the late 1990s.

Money and Banking

Since 1984, Mali has been a member of the West African Monetary Union, with the CFA franc as the national currency. The CFA franc is tied to the French franc at a fixed exchange rate of 50:1. The Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) is responsible for Mali's monetary policy.

Since 1987, the BCEAO has supervised the daily operations of the commercial banks and has imposed sanctions on banks exceeding the credit ceilings. The BCEAO also requires that companies place a minimum 75 percent deposit of the value of their import purchase in a blocked account to obtain a letter of credit from their bank. Changes in monetary policy since 1989 have included the establishment of uniform interest rates linked to the world market and ceilings placed on agricultural credits.

Foreign Trade, Payments and Assistance

Mali has had a trade deficit for several years. It has three major exports--cotton, livestock, and gold--and must import all its petroleum, vehicles, and most machinery and manufactured items. Mali's major trading partners are France, Belgium, West Germany, and Cote d'Ivoire.

Mali has a foreign debt of over \$2.2 billion, almost all public or publicly guaranteed. The majority of this debt is bilateral loans, primarily from the Soviet Union, France, China, and the petroleum exporting Arab countries.

Multilateral loans from the World Bank, the IMF, the African Development Bank/Fund, and European and Arab development organizations make up most of the rest of the debt. The terms of most of these loans are long-term repayment at well below market interest rates. However, Mali's current IMF loans have shorter repayment periods at higher rates.

Mali receives between \$400 million and \$500 million a year in foreign assistance. This is approximately the size of the Malian Government budget and is about one-fifth of its GDP. France is the largest bilateral donor, and the World Bank is generally the largest multilateral donor. Foreign assistance in Mali is used primarily for drought relief, water projects, agricultural development, road construction, commerce and industry, education, health, policy reform, forestry and conservation, and programs to avoid widespread famine.

The Saudi Arabian Government is financing a much needed second bridge over the Niger River in Bamako that links the two halves of the city. Construction by the Chinese Government is well under way.

Implications for U.S. Trade and Investment

The GRM's actions to reduce the size of the public enterprises sector and to mobilize the private sector have, along with the falling value of the dollar, stimulated Malian businesspeople's interest in trade opportunities with the United States. However, the small size and purchasing power of the Malian market, high transportation costs, and inability to obtain credit make it hard to increase such trade. The ability to communicate in French is crucial to success in trade with Mali.

The most likely opportunities for U.S. sales are provided by procurement connected with USAID, World Bank, and other donor development projects. These include agricultural, construction, irrigation, and communication equipment and technical services. Other possible opportunities for sales are agricultural commodities, electronics, computers, communications, mining equipment, cosmetics and personal care products.

A number of U.S. and other foreign companies have shown increasing interest recently in investing in gold mining operations in Mali. Although the lack of infrastructure makes such activity expensive, the country is believed to have significant resource potential. Other promising areas for investment include Mali's leather and hide sector and its food processing sector.